

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF RUSSELL COUNTY)	
GAS UTILITY, INC. FOR A CERTIFICATE)	
OF CONVENIENCE AND NECESSITY TO)	
CONSTRUCT AND FINANCE A GAS DISTRI-)	CASE NO. 89-125
BUTION SYSTEM IN JAMESTOWN AND)	
RUSSELL SPRINGS, KENTUCKY, AND FOR)	
APPROVAL OF GAS RATES)	

O R D E R

By final Order entered November 21, 1989, this Commission granted a Certificate of Public Convenience and Necessity to Russell County Gas Utility, Inc. ("Russell County Gas") authorizing it to construct and operate a natural gas transmission line and distribution system in the cities of Russell Springs and Jamestown, Kentucky. On August 1, 1990, this Commission received notification that Russell County Gas had switched investment bankers and no longer intended to use the mortgage bankers originally proposed.

The Commission, on its own motion, after consideration of the record in this proceeding and being otherwise sufficiently advised, finds that this case should be reopened for the purpose of updating the record to reflect the most recent financing arrangements for Russell County Gas.

IT IS ORDERED that Russell County Gas shall file the original and 10 copies of the following information with the Commission within 10 days of the date of this Order. Each copy of the data

requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. If the information cannot be provided by the stated date, Russell County Gas should submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information will be furnished. Such a motion will be considered by the Commission.

1. According to a letter filed with this Commission on August 1, 1990 Russell County Gas has engaged Morgan Keegan and Company, Inc. ("Morgan Keegan") as the investment banker they are using in the placement of the Kentucky Development Finance Authority ("KDFA") revenue bonds approved in Case No. 89-125. Provide complete details of the reason for switching to Morgan Keegan from the W. N. Estes and Company, Inc. ("W. N. Estes") investment banking firm.

2. Provide the effective date of the change from W. N. Estes to Morgan Keegan and a copy of the agreement entered into with this firm.

3. Provide a detailed list of all additional costs incurred in affecting this change in investment bankers. Include with this the journal entries made to reflect each element of additional cost on Russell County Gas's books.

4. According to the documents filed in Case No. 89-125, the bonds as approved would have a stated coupon rate of 11.5 percent and have a 20-year term. Provide an update of these terms and explain the effects any changes in these amounts will have on the revenue requirements and, hence, the customers of Russell County Gas.

5. Provide an estimate of the interest rate that will apply to the bonds when issued and document and support how this estimate was determined.

6. Provide a detailed comparison of all aspects of the debt issuance under the current arrangements as compared to the arrangements that existed when this financing was originally approved by this Commission. Include in this analysis any changes in insurance costs, underwriters' fees, security guarantees, etc.

7. Provide an explanation for both the delay in construction and the delay in the issuance of the debt.

8. Provide complete details of any changes in the costs of the construction project from the costs approved in the final Order in Case No. 89-125. Provide the starting date for said construction.

9. Provide any additional information that would give the Commission a complete understanding of the effects of the changes that have occurred with regard to Case No. 89-125.

Done at Frankfort, Kentucky, this 10th day of December, 1990.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Director


For the Commission